

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 EUR-12 IO-13 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00

AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02

OMB-01 DOE-15 DOEE-00 SSO-00 DOTE-00 /126 W

-----104147 241941Z /42

P 241650Z MAY 78

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 0064

INFO AMEMBASSY OTTAWA

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USMTN

ACTION STR PASS ELECTRICALLY

STR PASS CODEL

E.O.11652:N/A

TAGS: MTN, ETRD, CN

SUBJECT: TARIFF BILATERAL WITH CANADA: TRANSPORTATION
EQUIPMENT, MISCELLANEOUS METAL PRODUCTS AND ELECTRICAL
MACHINERY

1. US MTN DEL (HAMERSCHLAG ET AL) CONTINUED DISCUSSIONS
WITH CANADA DEL (DENIS ET AL) ON MAY 17-18 ON AREAS FOR
IMPROVEMENT IN EACH OTHERS' TARIFF OFFERS. IT WAS AGREED
THAT THIS PHASE OF THE NEGOTIATIONS WOULD BE COMPLETED BY
THE END OF MAY. AREAS COVERED IN THESE TWO SESSIONS
INCLUDED MISCELLANEOUS METAL PRODUCTS, TRANSPORTATION
EQUIPMENT, AND ELECTRICAL MACHINERY. AEROSPACE WILL BE
COVERED IN A SUBSEQUENT BILATERAL. BECAUSE OF THE SPECIAL
PROBLEMS RAISED, REPORTING ON RAILROAD EQUIPMENT WILL BE
PROVIDED SEPTTEL.

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2. MISCELLANEOUS METAL PRODUCTS. THE US DEL HAD ALREADY
COVERED ITS INTERESTS IN AN EARLY BILATERAL AND THIS
SESSION WAS DEVOTED LARGELY TO CANADIAN REQUESTS FOR
IMPROVEMENT. THE U.S. MENTIONED A FEW ADDITIONAL ITEMS
HOWEVER, SUCH AS CANADA 44300, A BASKET CATEGORY FOR
HEATING APPARATUS (INCLUDING FRANKLIN STOVES), 44603,
BASE METAL PRODUCTS BASKET, WHERE WE SUGGESTED EX-OUTS FOR

A GROUP OF ITEMS AT 3.5 PERCENT, AND AN 8 PERCENT RATE FOR THE BASKET AS A WHOLE. WE ALSO INDICATED INTEREST IN A NUMBER OF ITEMS SUCH AS CERTAIN OIL AND GAS DRILLING EQUIPMENT, FURNITURE SPRINGS, METAL CHAINS, AND NUTS AND BOLTS.

3. CANADIAN INTEREST IN THE U.S. OFFER AGAIN TOOK THE FORM OF A REQUEST FOR FULL TRADE ACT AUTHORITY. ITEMS OF PARTICULAR CANADIAN CONCERN WERE SINGLED OUT AS FOLLOWS:

TSUS 642.80 -- WIRE CLOTH OR NETTING -- CANADIANS HAVE "QUITE SOME INTEREST" IN FULL TA REDUCTION.

644.95 -- EMBOSSING MATERIALS -- INTEREST IS IN GTF REDUCTION.

646.26 -- CERTAIN BRADS AND NAILS -- CANADIANS NOTED THAT A FORMULA REDUCTION OF THE VERY LOW AVE ON THIS ITEM RESULTED IN NO REDUCED RATE AND ASKED IF WE CONSIDERED THIS TO BE AN EXCEPTION. WE REPLIED THAT TO THE CONTRARY, WE WERE OFFERING A FORMULA REDUCTION, THE FORMULA BEING SUCH, HOWEVER, THAT NO ACTUAL RATE REDUCTION WOULD RESULT.

646.49, 646.54, 646.56, 646.63 -- NUTS, BOLTS AND SCREWS -- THE CANADIANS ASKED WHEN WE INTENDED TO SPECIFY AN OFFER ON THESE ARTICLES. WE REPLIED THAT WE HAD BEEN LIMITED OFFICIAL USE

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INFORMED THAT THE WAYS AND MEANS COMMITTEE HAD ASKED THE USITC TO RESTUDY THESE ARTICLES. HENCE, THEIR IMPORT SENSITIVITY WAS WELL KNOWN AND WE DID NOT ANTICIPATE MAKING AN OFFER ON THEM ANYTIME SOON.

646.63-646.54 -- BOLTS VERSUS SCREWS -- THE CANADIANS COMPLAINED THAT "TECHNICAL CHANGES" I.E., THE INCORPORATION OF A WASHER FACE TO THE UNDERSIDE OF A BOLT HEAD RESULTED IN THE MISCLASSIFICATION OF SUCH ITEM AS A CAP SCREW AT A HIGHER RATE OF DUTY. RELYING ON USITC MATERIALS, WE NOTED COURT DECISIONS INDICATING SUCH A CLASSIFICATION WAS EXACTLY AS CONGRESS INTENDED.

649.24 -- CHAIN SAW BLADES -- CANADIANS WANT GTF; WE REPLIED THAT WE COULD CONSIDER THE U.S. OFFER AGAIN IN LIGHT OF THE CANADIAN OFFER ON THE SAME ITEM.

652.98, 652.94 -- HANGERS AND BUILDINGS AND PARTS, NES, AND COLUMNS, PILLARS, POSTS, ETC. -- CANADIANS COMPLAINED ABOUT THE CLASSIFICATION OF ARTICLES IN 652.98 (9.5 PERCENT AD VALOREM) INSTEAD OF 652.94 AT 3.5 PERCENT AD VALOREM. AN ANOMOLY WILL EXIST IF OUR OFFER IS

IMPLEMENTED AS WELL (652.98 AT 5.7 PERCENT; 652.94 AT FREE).

4. TRANSPORTATION EQUIPMENT.

(A) AUTOMOTIVE VEHICLES AND PARTS WERE DISCUSSED ONLY FOR THOSE ITEMS NOT NOW COVERED BY THE AUTO AGREEMENT. WE INDICATED INTEREST FOR IMPROVEMENT ON FIRE ENGINES AND SPECIAL-PURPOSE VEHICLES, POINTING OUT THAT U.S. OFFERED RATES WERE WELL BELOW THE CANADIAN, AND THE U.S. WOULD EXPECT CONSIDERABLE IMPROVEMENT IF IT WERE TO MAINTAIN ITS OFFER. ON REPLACEMENT PARTS THE U.S. NOTED THAT WE HAD OFFERED DUTY ELIMINATION WHILE CANADA HAD ONLY OFFERED

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ACTION STR PASS ELECTRICALLY; STR PASS CODEL

FORMULA CUTS. THIS WAS AN UNSATISFACTORY RESULT WHICH WOULD ONLY EXACERBATE THE PRESENT DISPARITY IN RATES. CANADA REPLIED THAT AUTO PARTS WERE SENSITIVE POLITICALLY AND THIS WAS A DIFFICULT AREA. CANADA HAD LITTLE TO SAY ABOUT THE U.S. OFFER, BUT RAISED A CLASSIFICATION PROBLEM REGARDING TRACTORS AND PARTS (692.30 AND 692.35). DENIS SAID CANADIAN EXPORTERS HAD DIFFICULTY BECAUSE OF THE PROCEDURES REQUIRING THE EXPORTER TO PROVE SUITABILITY FOR FARM OPERATIONS IN ORDER FOR A TRACTOR TO BE CLASSIFIED AS FOR AGRICULTURAL USE, AND THUS QUALIFIED FOR DUTY-FREE ENTRY. WE COMMENTED THAT THIS PROBLEM WAS PART

OF THE AGRICULTURAL EQUIPMENT CLASSIFICATION PROBLEM
RAISED BY THE CANADIANS PREVIOUSLY, AND SUGGESTED WE
HANDLE IT IN THAT CONTEXT.

(B) VESSELS. ON PLEASURE BOATS, ITEM 44002, THE
CANADIAN'S OFFER IS A LESS THAN FORMULA CUT TO 15
PERCENT WHILE THE U.S. OFFERS FREE ON COMPARABLE TSUS
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ITEMS. WE POINTED OUT THAT IT IS DOUBTFUL THAT WE CAN
MAINTAIN OUR OFFER WITHOUT CANADIAN IMPROVEMENT. WE
ALSO ASKED ABOUT COMMERCIAL FISHING BOATS, ITEM 43935,
WHICH IS NOW FREE. CANADA SAID IT WAS NOT WILLING TO
BIND THIS ITEM. THE CANADIANS POINTED OUT THAT THE
JONES ACT INTERFERES WITH ABILITY OF CANADIAN MANUFAC-
TURES TO SELL YACHTS FOR CHARTER OPERATIONS IN THE U.S.
BECAUSE SUCH VESSELS COULD NOT BE REGISTERED IN THE
U.S.

5. ELECTRICAL MACHINERY. WE INDICATED A NUMBER OF MAJOR
INTERESTS IN THIS AREA INCLUDING ELECTRIC LIGHT
FIXTURES, TELEPHONE APPARATUS AND POWER GENERATING
EQUIPMENT. THE CANADIANS WERE DOUBTFUL ABOUT DOING MORE
ON LIGHT FIXTURES BECAUSE OF IMPORT SENSITIVITY. ON
TELEPHONE APPARATUS THEY WERE CAUTIOUS ABOUT IMPROVEMENT
POSSIBILITIES, CITING COMPETITION FROM OVERSEAS RATHER
THAN FROM THE U.S. WE POINTED OUT CANADA HIGHLY COMPETI-
TIVE IN U.S. MARKET AND TARIFF DISPARITY HERE HAD NO
JUSTIFICATION. ON POWER GENERATING EQUIPMENT, CANADA
EXPRESSED SIMILAR VIEW AS U.S. THAT TARIFF ISSUE WAS
LINKED TO PROGRESS IN GOVERNMENT PROCUREMENT AREA. FOR
THE LARGE BASKET CATEGORY IN THE CANADIAN TARIFF 44524,
WE SUGGESTED AN OVERALL RATE OF 8 PERCENT, AND CALLED FOR
EX-OUTS AT 4 PERCENT AND 6 PERCENT. THE CANADIANS COM-
MENTED SPECIFICALLY ON THE FOLLOWING ITEMS:

685.90 -- ELECTRICAL SWITCHES, ETC. -- CANADIANS
NOTED THIS WAS QUITE A SIGNIFICANT ITEM, AND THAT CANADA
WAS THE SECOND SUPPLIER. THEY WANT GTF CUTS.

687.6086 -- ELECTRONIC COMPONENTS, NSPF -- CANADIANS
WERE INTERESTED IN WHAT ITEMS ENTER UNDER THIS LARGE
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BASKET.

688.04 -- INSULATED COPPER CONDUCTORS -- CANADIANS
ONLY NOTED THAT THIS ARTICLE IS PART OF THEIR COPPER
SECTOR PROPOSAL.

688.06 -- INSULATED CONDUCTORS -- CANADA IS THE
PRINCIPAL U.S. SUPPLIER AND REQUESTS GTF CUTS. WE
RESPONDED THAT WE COULD CONSIDER THESE REQUESTS IN LIGHT
OF CANADA'S OFFER ON THESE SAME ITEMS.

6. DRAFTED BY MIMS AND MALISH. MCDONALD

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